BC SYSTEMS

CORPORATION

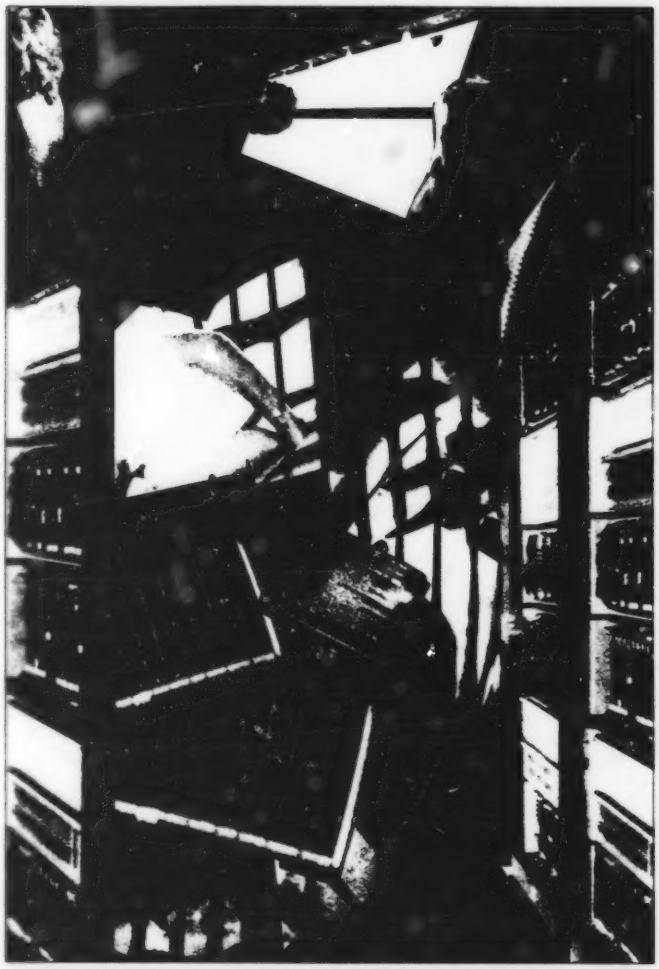


TABLE OF CONTENTS

Letter of Transmittal	2
Corporate Profile	3
Board of Directors	4
Chairman's Report	5
Executive Committee	6
Report on Operations	
1989/90 Major Objectives & Results	7
Major Objectives for 1990/91	16
Performance - A Ten Year Perspective	18
Auditors' Report	20
Financial Statements	
Balance Sheet	21
Statement of Income & Retained Earnings	22
Statement of Changes in Financial Position	23
Notes to Financial Statements	24
Five Year Statistical Summary	28

PUBLICATION DATA

British Columbia Cataloguing in Publication Data
British Columbia Systems Corporation
Annual Report - 31st March 1979 ; 1979/80-

Report year ends March 31.
ISSN 0710-846X = Annual Report - British Columbia Systems Corporation

1. British Columbia Systems Corporation - Periodicals.
2. British Columbia - Executive departments - Management – Data processing – Periodicals.
3. Administrative agencies - British Columbia - Management – Data processing – Periodicals.

JL429.5.A8B74 354.711'00028'5
Rev. June 1990

LETTER OF TRANSMITTAL

The Honourable David C. Lam
Lieutenant-Governor of British Columbia

May it please your Honour:

Herewith I respectfully submit the Annual Report of the British Columbia Systems Corporation for the fiscal year ended March 31, 1990.

Honourable Carol Gran
Minister Responsible

BRITISH COLUMBIA SYSTEMS CORPORATION

CORPORATE PROFILE

MANDATE

BC Systems is a provincial Crown Corporation providing information technology services to the public sector. It was created in 1977 with the enactment of the *System Act*. The Corporation has the authority, responsibility and accountability for offering: data processing services, professional and other related services, and data and voice communication services.

BUSINESS MISSION

"BC Systems' mission is to use its information technology skills and capabilities to assist its users in fundamentally improving the way government serves the public."

BC Systems strives to provide services that are of the highest quality and best value. The Corporation is committed to both customer service excellence, and delivering services that are highly relevant to public sector needs. BC Systems is committed to do everything it can to help its users succeed.

SERVICES

BC Systems provides four basic services: data processing, telecommunications, professional consulting and information access. Solutions provided to customers generally involve some form of integration of these basic services.

Data Processing

BC Systems' data processing services provide a highly reliable, low risk source of computing power. They are available in several varieties: IBM-MVS, Digital VAX, and IBM-VM. They can be provided on a shared or a dedicated machine basis, depending on the needs of the customer. There are over 30,000 users of this service. BC Systems' data centre is a world class operation.

Telecommunications

BC Systems operates private, shared voice and data communications networks to serve the Provincial government. The voice network, called PROVNET, supports approximately 40,000 telephone users. The data networks, called SNA and DNET, link more than 20,000 terminal devices in over 100 cities and towns throughout British Columbia to about 100 host computers. BC Systems is a recognized leader in the provision of telecommunications services.

Professional Consulting

BC Systems has over 350 skilled professionals providing a wide range of information technology consulting. Services include: information systems branch staffing, application management, facilities management, technology management, data base management, information technology planning and client education and training. These professionals, along with the highly skilled individuals supporting the Corporation's other services, give BC Systems one of the largest pools of systems professionals in Canada.

Information Access

BC Systems' information access services provide private sector users direct electronic access to government information. This technology has tremendous potential to bring government closer to the people and to improve the general efficiency of the provincial economy. BC Systems is leading the way.

G.J. Hook
Geoffrey J. Hook Consulting Services
Victoria, B.C.
CHAIRMAN OF THE BOARD

D.M. Buchanan
Penticton, B.C.
DIRECTOR

W.E. Evans
President & Chief Executive Officer
BC Systems
Victoria, B.C.
DIRECTOR

M.J. Falkins
Senior Vice-President
Falkins McIntosh, Reed Stenhouse
Victoria, B.C.
DIRECTOR & CHAIRMAN, COMPENSATION COMMITTEE

R.J. Gayton
Chief Financial Officer
Prime Resources Group Inc.
Vancouver, B.C.
DIRECTOR & CHAIRMAN, AUDIT COMMITTEE

Hon. C.M. Gran
Minister of Government Management Services
& Minister Responsible for Women's Programs
Province of British Columbia
Victoria, B.C.
DIRECTOR & MINISTER RESPONSIBLE

R.G. Hood
Salmon Arm, B.C.
DIRECTOR

N.E. Glassel
Senior Vice-President
BC Systems
Victoria, B.C.
SECRETARY TO THE BOARD

Left to right: Ron Hood, Bob Gayton, Geoff Hook, Don Buchanan, Ted Evans, Norm Glassel, Mike Falkins

Missing: Hon. Carol Gran.

C H A I R M A N ' S R E P O R T

BC Systems' role is to respond effectively to the information systems needs of its public sector customers. This means having the people and the technology in place to get the job done.

The Corporation has worked hard to keep its people and technology current, and has been able to build one of the strongest pools of technical expertise and some of the best data processing and telecommunications facilities in Canada. Many initiatives were undertaken in 1989/90 to ensure that sufficient capacity was in place to respond to customer demands. Important work was also undertaken on several new information technologies which have the potential to significantly benefit government programs.

A major thrust in the year under review was to further improve the Corporation's focus on the needs of its users. The customer support function was enhanced and a program of customer service improvement was launched.

BC Systems never loses sight of the fact that along with high quality service it must deliver good value to its customers. The Corporation continued its trend of lowering prices by introducing a further price reduction on April 1, 1989, which saved customers approximately $4.5 million. In addition, a midyear price rebate was given which saved customers a further $2.2 million during the year.

A major innovation that deserves special mention is the BC OnLine program. This program, which is administered by BC Systems under contract to the Ministry of Government Management Services, was implemented in July 1989. It was two years in the planning and development and has proven to be a well received innovation. With close to 3500 private sector users accessing government regulatory databases, BC OnLine is an excellent example of how information technology can be used to fundamentally improve the way government serves the public.

1989/90 was another successful year for BC Systems. On behalf of the Board of Directors I wish to thank staff and management for their continued hard work and dedication.

G Hook

Geoffrey J. Hook
Chairman of the Board

W.E. Evans
President and Chief Executive Officer

N.E. Glassel
Senior Vice-President
Client Services

C.D. Slade
Senior Vice-President
Data Processing

G.F. Gabel
Vice-President
Telecommunications

Dr. R.N. Greer
Vice-President
Professional Services

J.G. Hayes
Vice-President
Finance and Administration

D.W. Ausman
Executive Director
Corporate Development

Left to Right: Gerry Gabel, Nancy Greer, Chris Slade, Ted Evans, Norm Glassel, Garry Hayes, Doug Ausman.

The 1989/90 report on operations is structured largely in terms of major objectives and results. The intent is to provide more thorough and meaningful reporting to the Legislature and the public. We have also tried to show the Corporation's future direction by including a section on major objectives for 1990/91. Subsequent reports will report on achievements in relation to these objectives.

1989/90 MAJOR OBJECTIVES AND RESULTS

In this section, 1989/90 operating results are shown in relation to major corporate objectives. Many of the objectives are statements of long-term direction and are being pursued over several years.

CUSTOMER SUPPORT is the ultimate goal of everything we do.

Objectives:

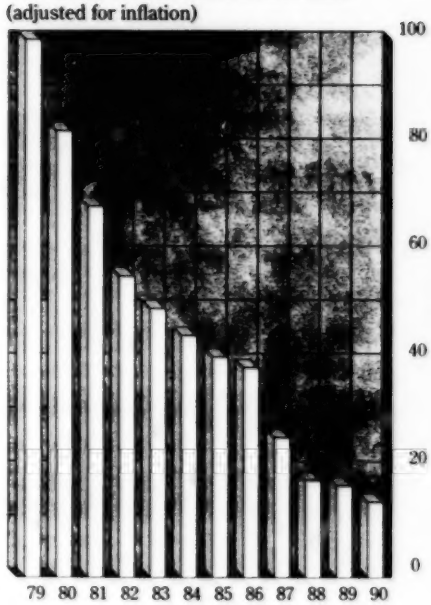
- Implement further price reductions as efficiencies in operations and economies of scale permit.
- Work more closely with customers to understand their business better so that we can develop and evolve our services to better meet their needs.
- Improve customer service.

Results:

- Rates for shared processing services were reduced 14% on average in 1989/90. These decreases included the introduction of volume discounts, a change that was well received by users. In addition, a midyear volume based processing price rebate was issued, saving customers a total of $2.2 million.
- Valuable input was received over the course of the year through regular meetings with eight customer advisory committees sponsored by BC Systems. These committees range from the User Review Committee which consists of senior government executives, to working groups which focus their attention on specific services offered by the corporation. More and more we find that future product and service directions are being shaped through the advice provided by customers using our services.
- BC Systems established a new unit in 1989/90 called the Information Systems Strategies Group. This group is responsible for working with the Executive and other divisions within the Corporation in determining new product and service directions. Since the members of this group are part of the Client Services Division, they spend a large part of their time with customers, getting to better understand their needs. Establishing this group was a significant step in bringing even more of a customer focus to future directions of the corporation.
- Our Customer Service Representatives, those who work with users at their sites, and our Customer Service Centre, the place customers call when they are having problems, are vital links in the chain of providing first rate service. In both areas, the staffing resources were increased in 1989/90. Judging from the many positive comments received from customers this has been well received.
- A new initiative to train staff in how to provide excellent customer service was begun in late 1989/90. Approximately 60 people have taken the training to date. Initial results are so encouraging that even more effort will be put into this in 1990/91.

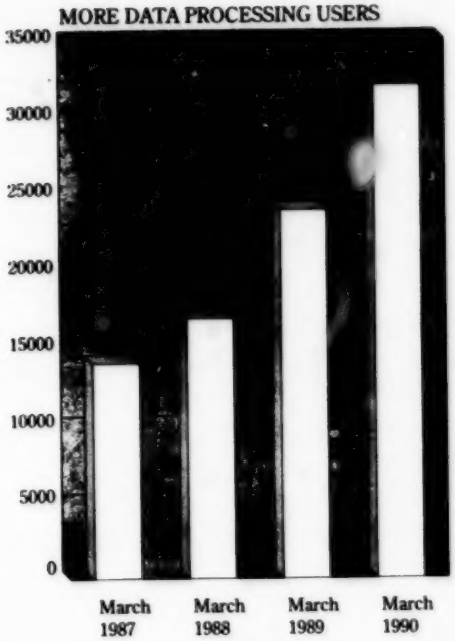
LOWER PRICES

Processing Prices Relative to 1979 Base
(adjusted for inflation)

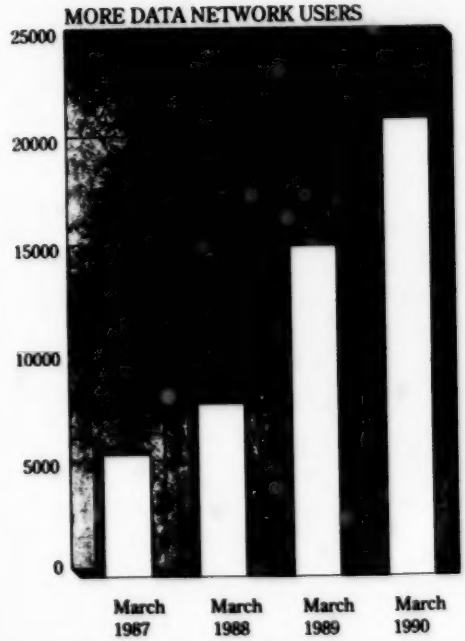


1979 = $1.00

MORE DATA PROCESSING USERS



MORE DATA NETWORK USERS



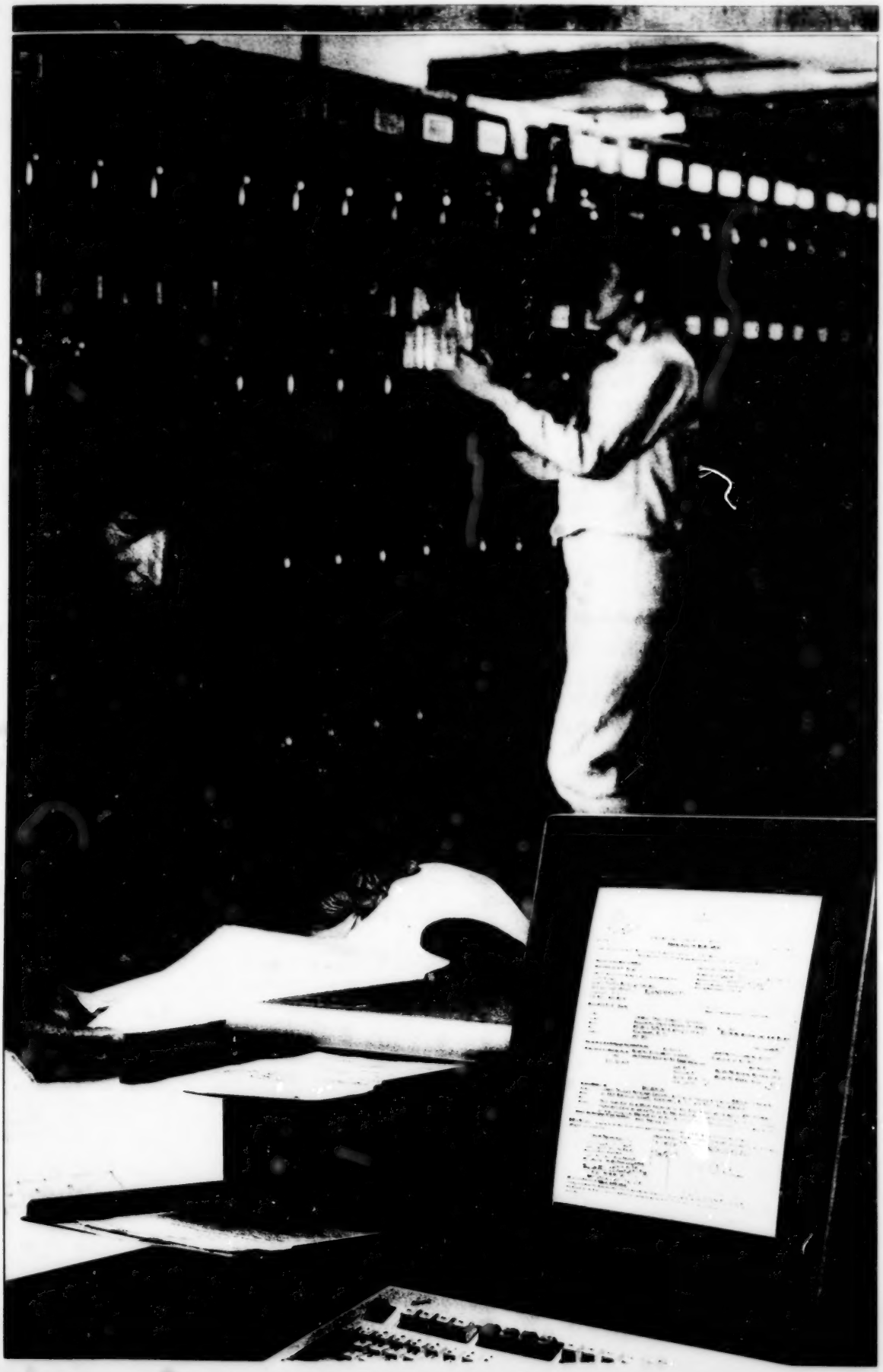
SERVICE DELIVERY is our business.

Objectives:

- Ensure that adequate people, and data processing and telecommunications resources are in place to effectively respond to rapidly growing customer demands.
- Maintain service quality at, or above, published service standards.
- Identify ways to reduce the cost of services provided.
- Develop a strategy for significantly improving the Corporation's disaster recovery capability to ensure provision of services to government.
- Develop a broad range of value-added professional services.

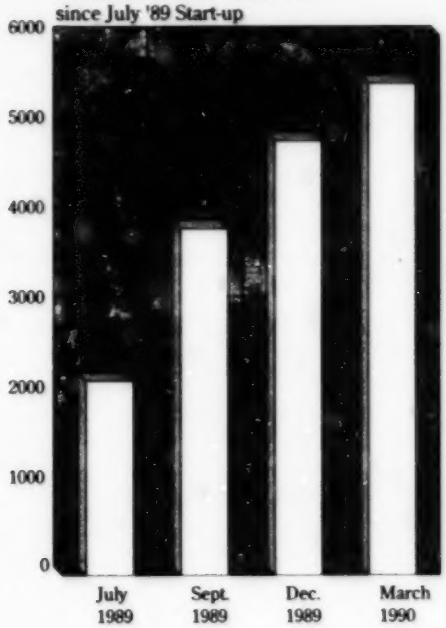
Results:

- Data processing volumes grew by 48% during 1989/90. Major upgrades were successfully implemented in each of the three processing environments. Capacity was available just before the customers needed it.
- Data communications business volumes grew by 47% over the year. Over 7,000 new network devices were added during the year; almost 30 every working day.
- Voice network business volumes grew by 7% in a year characterized by unprecedented volumes of orders for moves and changes. Improvements were made to reduce order processing time and actions are planned for further improvements next year.
- Published service levels for data processing and data communications services were maintained during a period of rapid growth and change.
- A major project was undertaken to restructure the configuration of the voice telecommunication network. The changes will generate cost savings in excess of $1 million per year.
- The 1989 price reduction of 14% for data processing cycles was possible through a combination of improved operating procedures, improved price performance of hardware and economies of scale.
- The Corporation completed a review of alternative approaches to disaster recovery. A disaster recovery strategy has been adopted. The approach involves an agreement with a third party to secure "hot site" back-up facilities which are available in the event of a disaster which incapacitates the Corporation's data centre. Planning is under way and testing will take place in 1990. The objective is to have a proven disaster recovery capability in place by the end of 1990/91.
- In response to customers' requests for a broader range of value-added professional services, BC Systems introduced a suite of mission-based consulting services in 1989/90. This includes Facilities Management, Application Management and Information Management services. Several new contracts were entered into during the year. It is anticipated that there will be a shift from secondment arrangements toward more mission-based contracts in the future.
- At the request of customers for both seconded and mission-based contract personnel, 49 systems professionals were recruited by the Corporation to meet this demand.



Through electronic imaging, documents can be stored electronically for easy access, retrieval and retention, improving office operations such as in the Land Titles office shown here.

MORE BC ONLINE USERS
Private and Public Sector Users
since July '89 Start-up



INNOVATION leads us to better ways to serve our customers.

Objectives:

- Successfully implement and operate the BC OnLine program.
- Work with users to identify new information technologies which have high potential to generate significant benefits for government.
- Enhance the Corporation's existing technology infrastructure to accommodate the introduction of these new technologies.

Results:

- **BC OnLine** was successfully implemented on July 10, 1989. This program, delivered by BC Systems on behalf of the Ministry of Government Management Services and in cooperation with the Ministries of Finance and Corporate Relations and Attorney General, allows authorized lawyers, real estate agents, auto dealers, financial institutions and others direct electronic access to provincial government regulatory databases.

  Users of this service are able to dial directly into the Land Titles, Companies and Central Liens Registries from anywhere in the Province. BC OnLine is a significant innovation because it offers users a single point of contact with government, it is convenient, it saves time and it extends the hours of service.

  The service has been extremely well received by the business community. As of March 31, 1990 there were almost 3,500 private sector users of BC OnLine out of a total of 5,300.

- **New Technologies** - Through working with customers, several new technologies have been identified as priorities. They are:

  Electronic Imaging

  By some estimates, as little as 5% of a modern organization's data is stored in computer accessible format. The remaining 95% is still found in paper files.

  The Land Titles Branch of the Ministry of Attorney General has recognized the opportunity to improve the efficiency and effectiveness of its operation through the use of imaging technology. This technology stores images electronically, allowing easier storage, access, retrieval and retention of documents.

  The Land Titles Branch approached BC Systems for assistance in confirming the benefits of imaging technology. A joint study was completed which confirmed the merits of doing a pilot project.

  By the end of March 1990, all the necessary software, hardware and network facilities to do the pilot project were in place. The first document will be scanned into the system in May 1990.

  At the end of the pilot project later in 1990, a determination will be made on the feasibility of providing an ongoing service offering by BC Systems.

Electronic Data Interchange (EDI)

Electronic Data Interchange is an application technology which allows business transactions to be completed electronically rather than by using traditional paper processing techniques. It is particularly suited to requisitioning, order processing and financial systems, and has tremendous potential to improve the speed and accuracy with which transactions are carried out. EDI appears to offer real benefits for government.

To begin to address this important application area, active planning was underway at year end for a joint pilot project with the Liquor Distribution Branch of the Ministry of Labour and Consumer Affairs, DMR (a major consulting firm), one of the LDB's suppliers, and BC Systems. The pilot will involve processing transactions between the LDB and its supplier, electronically. The information gained from the pilot will help determine the LDB's potential for expanding the use of EDI. It will also assist BC Systems in determining how EDI can help other areas of government improve their operations.

Executive Information Systems (EIS)

In response to increasing interest by our customers in executive information systems, a request for proposal for EIS application software was run late in the year. Once software has been selected the Corporation will be able to provide EIS services.

Intelligent Workstations (IWS)

There has been rapid growth in the use of intelligent workstations throughout North America and amongst our customers. As the capabilities of these devices expand and evolve, there is potential for BC Systems to provide IWS related services that will benefit customers. To position the corporation to provide these services, a major IWS initiative was launched in 1989/90. It involves several pilot projects in a variety of areas. The initiative also includes a significant staff training undertaking. Announcements as to the exact services to be offered by the Corporation will be made as the initiative progresses.

Local Area Network (LAN) Servers

Intelligent workstations that provide the function of serving local area networks are of particular interest to customers. In response, a basic LAN support service offering for the Digital - VAX area was announced in 1989/90. Other pilot projects are underway which may result in further services being announced.

Fibre optic cable, being installed in Victoria, will give clients the ability to transmit up to 16 million bits of data per second compared to the current capability of 56,000 bits per second.

- The Corporation continued work on enhancing its telecommunications and data processing infrastructure to meet the requirements of these new technologies.

Metropolitan Area Network (MAN)

BC Systems' implementation of a high-speed fibre optic telecommunication network for Victoria began in 1989/90. The Metropolitan Area Network will serve over 20 government buildings when completed. It is a multi-year project, the first phase of which is scheduled for completion in 1990/91.

As the speed of computers and the volume of data increases, there is a need for faster, more secure communications networks. New technologies, such as imaging, require very high speed communications. The Metropolitan Area Network is an important step toward meeting this need. Innovations such as this are essential to the effective and efficient delivery of government programs in the future.

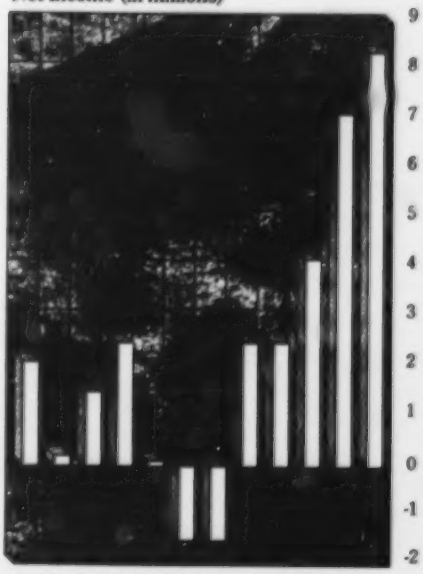
Higher Speeds for Wide Area Network

The Corporation also took steps in 1989/90 to improve the speed of its wide area networks which provide data communications throughout the Province. This involves an ongoing program of upgrading transmission facilities and multiplexing facilities in response to increasing customer demands.

Data Centre Enhancements

BC Systems is continually updating its data centre operations and participating in vendors' early support programs to keep its technology current and responsive to user requirements. In 1989/90, this included improving the application development environment, introducing advanced function printing capabilities to allow for the integration of text, data and image, improving data storage capability and upgrading operating system platforms.

PROFITABILITY MAINTAINED
Net Income (in millions)



FINANCIAL STRENGTH provides the ability to shape our future.

Objectives:

- Meet capital requirements from cash generated from operations and thereby avoid any additional debt.
- Achieve a debt to equity ratio of 4.7 to 1 .
- Achieve a net operating profit of $3.1 million.

Results:

- The Corporation was more than able to meet all capital requirements with cash generated from operations. Total debt was reduced during the year by $4 million, from $40 million to $36 million.
- At year end, the debt to equity ratio was 2.4 to 1, much better than the target.
- An operating profit of $8.4 million was achieved, exceeding the target by $5.3 million.
- In 1989/90, BC Systems achieved record financial results. It was the fifth straight profitable year for the Corporation.

CORPORATE DEVELOPMENT prepares us for the challenges that lie ahead.

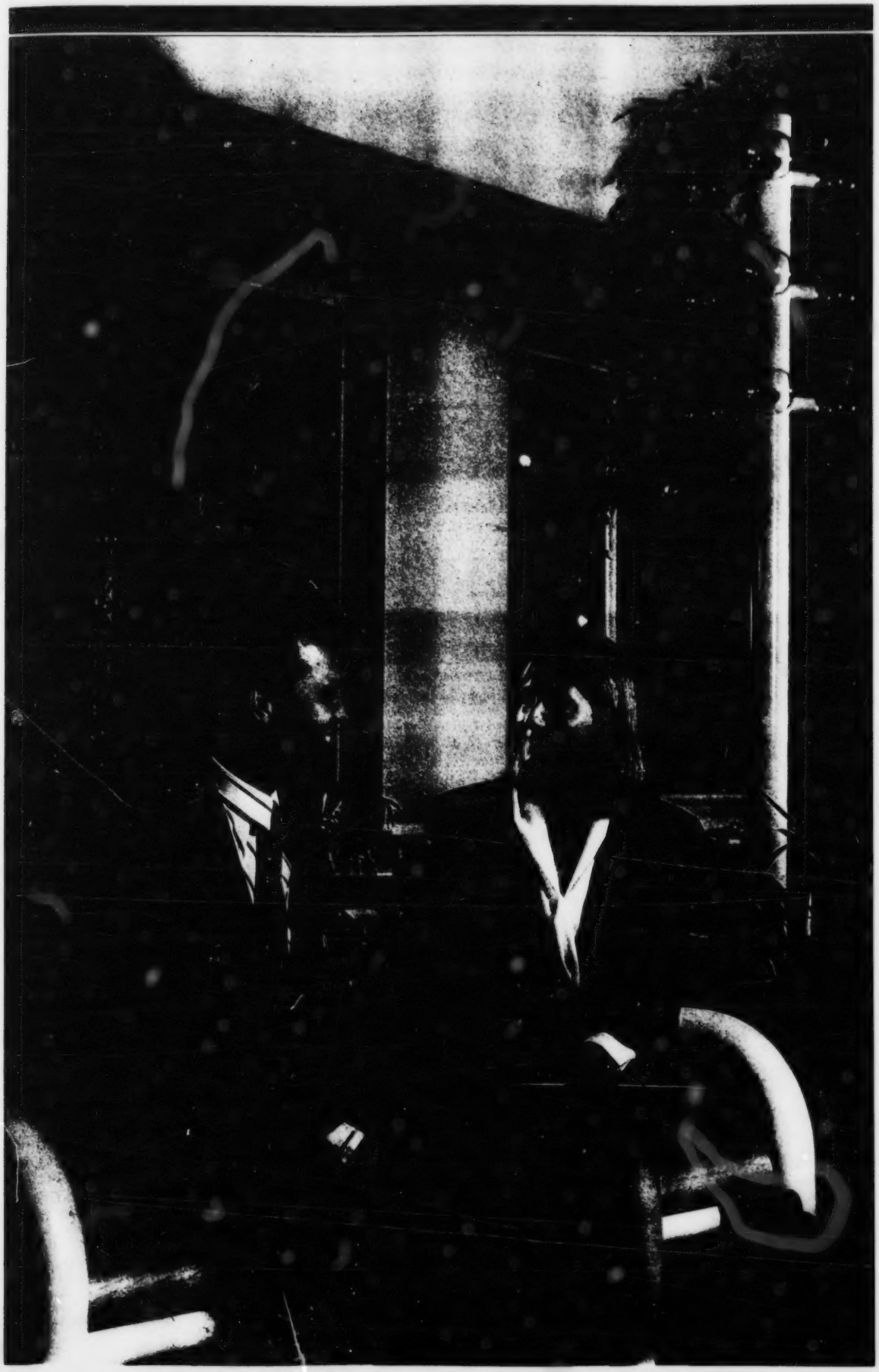
Objectives:

- Obtain, retain and develop the skilled information technology professionals the Corporation and the government need to be successful, now and in the future.
- Excellence in the way BC Systems manages.
- A rewarding work environment for all employees.
- Achieve customer service excellence.
- Promote social responsibility, and be a good corporate citizen.

Results:

- Almost 100 systems professionals were attracted to BC Systems during the year, 45 through major recruiting drives. This was necessary to fill 160 vacancies resulting from growth in requests from our customers for positions in their workplaces and in the services provided by the Corporation, and from normal turnover.
- The Corporate Development Division was created during the year, in part to consolidate many of the functions which, collectively, can be expected to further improve the way the Corporation manages. Activities, including a major applied strategic planning process, were initiated for this purpose.
- Initiatives were undertaken to enhance the Corporation's status as a "preferred employer". These included a comprehensive orientation program for new employees, an increase of almost 50% to 3,250 days of employee training and development, offering the opportunity to work with the best tools that proven technology can provide, and providing a work environment in which teamwork is fostered and career aspirations can be planned and achieved.
- The Corporation embarked on a customer service excellence program. As a first step, an extensive evaluation of the Corporation's customer service practices was undertaken. A detailed action plan for an ongoing program of customer service improvement is under development.
- Action Teams for environmental responsibility and for employment equity were established. These teams are implementing actions which are helping protect the environment and ensuring that ability is what determines employment opportunity and benefits. From replacement of styrofoam and paper products with crockery and cutlery, to paper reduction and recycling, employees have saved the Corporation money while making a meaningful contribution to a cleaner environment. BC Systems' employees participate in a big way in industry associations and charitable endeavours.

At BC Systems, we believe that individually we can make a world of difference.



To assist in the development of skilled systems professionals, recent university graduates are recruited to participate in an extensive program designed to provide work experience and training. Human resource manager Marilyn Campbell and Grow Your Own employee Richard Stokes take time out to discuss Richard's next assignment.

MAJOR OBJECTIVES FOR 1990/91

Customer Support

- Develop and implement strategies for achieving customer service excellence. This will include further developing service standards, implementing a program of customer satisfaction measurement and providing extensive customer service training to employees.
- Develop value for money benchmarks and implement an ongoing monitoring mechanism.

Service Delivery

- Implement and test the disaster recovery strategy adopted in 1989/90.
- Ensure capacity is in place as required by customers.
- Improve telecommunication service order processing.
- Expand the data base offerings and utilities available via BC OnLine, moving this service toward the vision of a universal electronic utility for conducting business with the government.
- Diversify professional service offerings.

Innovation

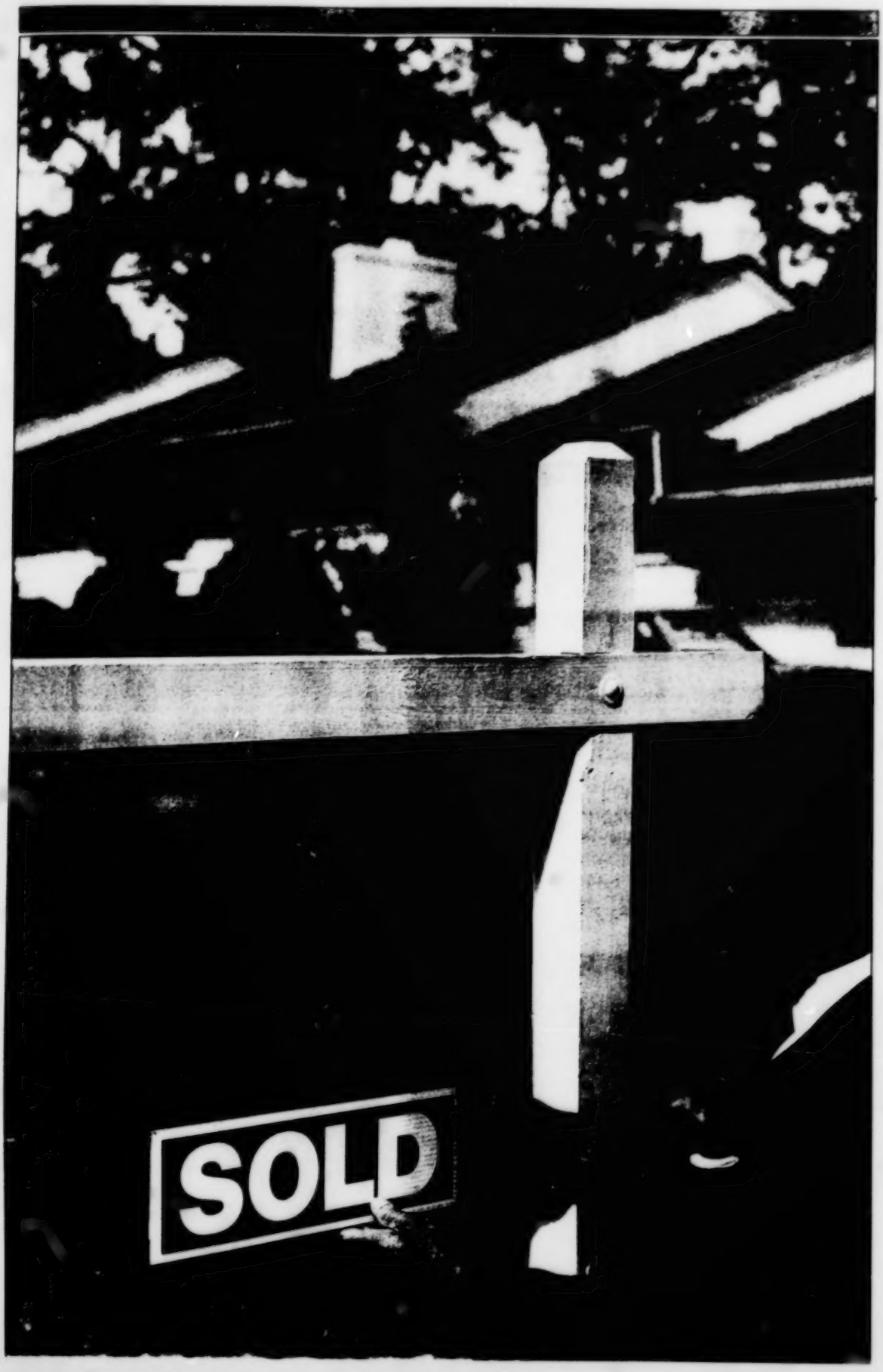
- Complete pilot projects on the new technologies identified in 1989/90 and determine if, and how, they will be introduced as fully supported new service offerings.
- Complete phase one of the Victoria metropolitan area network and install higher speed facilities in the wide area data communications network.
- Identify new technologies with significant potential to benefit government services.

Financial

- Achieve an operating profit of $7 million.
- Maintain the debt to equity ratio below 3 to 1.
- Meet capital requirements with cash generated from operations.
- Establish a dividend policy for the Corporation.

Corporate Development

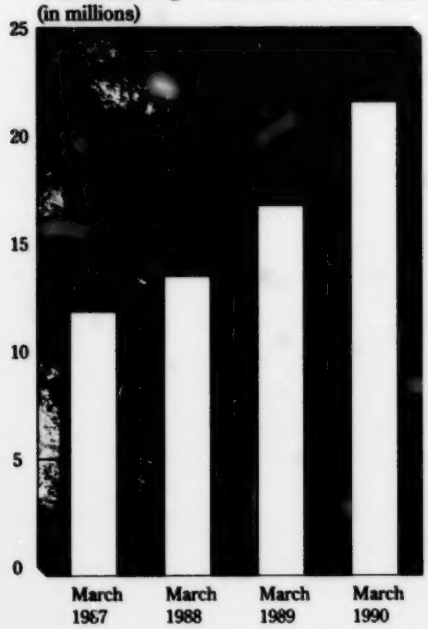
- Develop a set of key performance indicators for the Corporation.
- Implement specific plans to simplify and streamline processes, and to enable and empower employees at all levels to implement ideas to improve efficiency and effectiveness of operations.
- Develop and implement a model for employee participation.
- Further improve the Corporations' performance management systems.



Thanks to the BC Online service, real estate agents around the province can access land titles registry data from their homes or offices 12 hours a day, Monday through Saturday.

ON-LINE TRANSACTIONS INCREASE

Data Processing Transactions in One Month (in millions)



A TEN YEAR PERSPECTIVE

BC Systems is continuously updating its data centre with the latest in technology, expertise and techniques.

The reason is simple. We have been able to systematically drive down costs to our clients by taking advantage of both hardware and software technology, economies of scale and the latest in operational productivity, while increasing the responsiveness and reliability of the service.

The following performance statistics show that BC Systems , over the past ten years, has increased its processing capacity and work volumes while at the same time it has reduced the number of employees required to offer the service and ultimately the cost to clients. To illustrate this, we have done a comparison of our IBM MVS data processing service, our largest and longest client offering, in 1980/81 and 1989/90.The following chart illustrates the dramatic growth in processing CAPACITY.

	1980/81	1989/90	% Change
Millions of Instructions/Second (MIPS)	8	86	975%
Disc Storage (Gigabytes)	20	350	1650%
Tape Reels/Cartridges	35,000	75,000	114%
Tape Drives	16	26	63%
Print Capacity (Lines/minute)	4,000	16,000	300%
Available software packages	60	179	198%

With this increased capacity, our clients are able to process more work.
The next chart illustrates growth in WORKLOAD. It should be noted that this information does not represent all areas of workload, only the workload that has been common to the IBM MVS service.

	1980/81	1989/90	% Change
Batch Jobs	165,000	282,000	71%
On-Line Transactions	21,129,740	215,000,000	917%

The following chart shows the number of EMPLOYEES required to run the data centre then and now.

	1980/81	1989/90	% Change
Employees	176	124	-30%

With the combination of new technology, economies of scale and increased productivity, we were able to deliver the increased workload at the following PRICES.

	1980/81 Actual	1980/81 In 1990 $'s	1989/90 Actual	% Change
Total Charges	$22,100,000	$32,376,000	$28,500,000	-12%

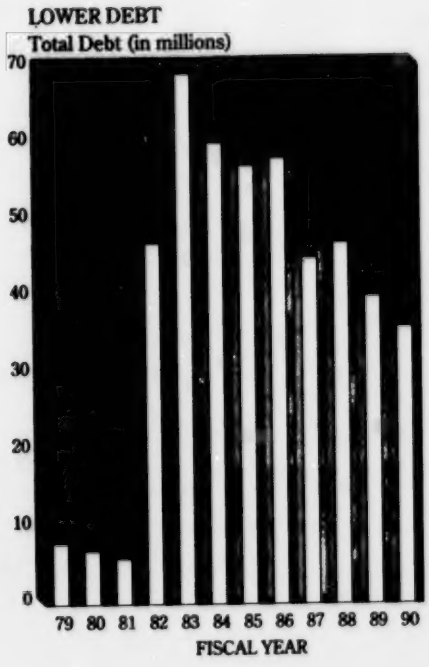
This shows that comparing 1980 to 1990, BC Systems has been able to deliver over ten times the processing CAPACITY to accomplish up to ten times the WORKLOAD with 70% of the STAFF for 90% of the COST.

While this confirms that the strategies we have employed in past have been prudent, we will not be stopping here. We plan to continue this systematic reduction in processing costs within our strict quality control guidelines.

Security of information and the physical plant are of utmost importance. Here, a BC manufacturer displays security access and control boards being tested for installation at BC Systems. This Burnaby-based company has also greatly enhanced its product's future marketing potential through the supplier development support it received from BC Systems.

A U D I T O R S ' R E P O R T

The Honourable Carol Gran
Minister of Government Management Services
Province of British Columbia



We have examined the balance sheet of British Columbia Systems Corporation as at March 31, 1990 and the statements of income and retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the Corporation as at March 31, 1990 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Peat Marwick Thorne

May 25, 1990

BRITISH COLUMBIA SYSTEMS CORPORATION
BALANCE SHEET
(expressed in millions)

	March 31 1990	March 31 1989
ASSETS		
CURRENT ASSETS		
Cash	$ 0.7	$ 0.9
Accounts receivable	10.3	10.5
Prepaid expenses	0.8	1.3
	11.8	12.7
FIXED ASSETS (notes 1 and 5)		
Land	4.6	4.6
Building	28.4	27.7
Computer and ancillary equipment	77.3	52.3
Furniture and fixtures	2.0	1.9
Leasehold improvements	0.2	0.2
	112.5	86.7
Accumulated depreciation and amortization	53.2	35.1
	59.3	51.6
OTHER ASSETS		
Deferred bond discount and issue costs	0.1	0.1
	$71.2	$64.4
LIABILITIES AND RETAINED EARNINGS		
CURRENT LIABILITIES		
Note payable, Province of British Columbia (note 3)	$ 2.0	$ 4.0
Accounts payable and accrued liabilities	16.1	13.0
Deferred revenue	2.3	0.3
Current portion of long-term debt (note 4)	0.9	1.2
Contractual liability for computer and ancillary equipment	1.2	3.8
	22.5	22.3
LONG-TERM DEBT (note 4)	33.3	35.1
RETAINED EARNINGS		
Appropriated (note 6)	2.2	—
Unappropriated (note 8)	13.2	7.0
	15.4	7.0
	$71.2	$64.4

Commitments (note 7)
Contingency (note 10)

APPROVED BY THE BOARD

Director

Director

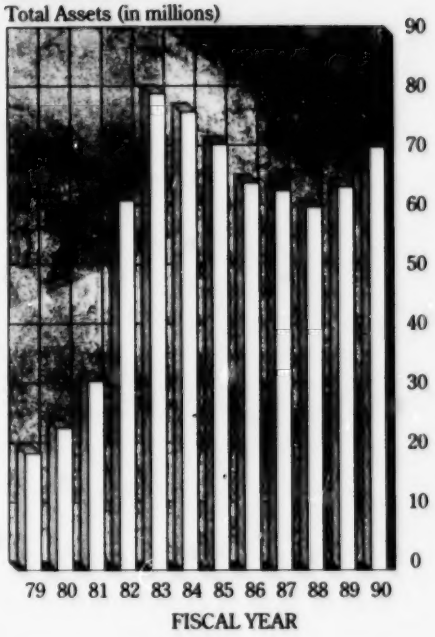
BRITISH COLUMBIA SYSTEMS CORPORATION
STATEMENT OF INCOME AND RETAINED EARNINGS
(expressed in millions)

	Year ended March 31	
	1990	1989
Revenue		
Telecommunications	$59.1	$50.5
Processing	40.6	32.3
Labour	24.6	20.4
Interest and other	1.2	1.0
	125.5	104.2
Expenses		
Employee	34.3	27.4
Facilities management fees (note 7)	3.9	3.8
Administrative and general	6.5	5.7
Equipment rental and maintenance	52.6	47.5
Depreciation and amortization (note 5)	18.9	11.5
Interest (note 4)	0.9	1.0
	117.1	96.9
Income before net building operating costs and contribution from the Province of British Columbia	8.4	7.3
Net building operating costs	(3.8)	(3.9)
Contribution from the Province of British Columbia	3.8	3.8
Income before extraordinary item	8.4	7.2
Extraordinary item		
Write-down of land, building and building equipment to appraised value	—	(6.4)
NET INCOME (note 8)	8.4	0.8
Unappropriated retained earnings at beginning of year	7.0	6.2
Appropriation for future conversion projects (note 6)	(2.2)	—
UNAPPROPRIATED RETAINED EARNINGS AT END OF YEAR	$13.2	$7.0

BRITISH COLUMBIA SYSTEMS CORPORATION
STATEMENT OF CHANGES IN FINANCIAL POSITION
(expressed in millions)

	Year ended March 31 1990	1989
CASH PROVIDED BY (USED FOR):		
OPERATIONS		
Net income	$8.4	$0.8
Items not involving cash		
Depreciation and amortization	19.6	12.4
Deferred bond discount and issue costs	0.1	0.1
Gain on disposal of fixed assets	(0.1)	(0.4)
Write-down of land, building and building equipment	—	6.4
Change in non-cash operating working capital	5.8	0.2
	33.8	19.5
FINANCING		
Long-term debt reductions	(2.1)	(1.8)
Short-term borrowings, net of repayments	(2.0)	(5.0)
Change in contractual liability for computer and ancillary equipment	(2.6)	3.2
	(6.7)	(3.6)
INVESTMENTS		
Additions to fixed assets	(27.7)	(16.1)
Proceeds from disposal of fixed assets	0.4	0.6
	(27.3)	(15.5)
INCREASE (DECREASE) IN CASH POSITION	(0.2)	0.4
Cash at beginning of year	0.9	0.5
CASH AT END OF YEAR	$0.7	$0.9

ASSETS GROW



BRITISH COLUMBIA SYSTEMS CORPORATION
NOTES TO FINANCIAL STATEMENTS YEAR ENDED MARCH 31, 1990

GENERAL

British Columbia Systems Corporation, incorporated as a Crown Corporation of the Province of British Columbia under the System Act R.S.B.C. 1979, has a mandate to advance the effective and efficient use of information systems in the British Columbia public sector. As a service organization within government, British Columbia Systems Corporation provides shared computer processing, data and voice communication, information access and selected professional services on a competitive basis. In 1989/90, the Corporation received 90% of its revenues from Provincial Government Ministries, with the balance from other government entities.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement presentation
As prescribed by Section 9(6) of the System Act, the financial statements of the Corporation are prepared in accordance with generally accepted accounting principles.

Accrual accounting
The accrual method of accounting is used in the preparation of these financial statements. Accordingly, revenues are recorded in the period they are earned and expenses are recorded in the period they are incurred.

Fixed assets
Fixed assets are recorded at cost with the exception of the land, building and building equipment, which are recorded at appraised value plus subsequent additions at cost. The appraisal was prepared by B. McConnell & Associates Ltd. on January 18, 1989 and was based on a combination of the income capitalization and the cost summation methods. The appraisal resulted in a reduction in the carrying value of the related assets and in net income for that year.

Fixed assets are depreciated and amortized over their estimated useful lives as follows:

Building	Over thirty years on a straight-line basis (note 5)
Building equipment	Over twenty years on a straight-line basis
Computer processors	Over terms up to four years on a straight-line basis
Other computer and ancillary equipment	Over terms up to three years on a straight-line basis
Furniture and fixtures	Over ten years on a straight-line basis
Leasehold improvements	Over terms of leases on a straight-line basis

Revenue recognition
Revenue from resource billing is recognized as the services are performed. Revenue from fixed price contracts is recognized over the terms of the respective contracts.

Corporate income taxes
The Corporation is exempt from Federal and Provincial corporate income taxes.

Sinking funds
Payments made to sinking funds with respect to retirement provisions of the sinking fund bonds and debentures are netted against long-term debt until such time as the bonds or debentures are redeemed and cancelled. Interest earned on the sinking funds is treated as interest income with a corresponding increase in the sinking funds.

Amortization of other assets
Discount and issue costs relating to the Province of British Columbia bond Series BCSC-M are deferred and amortized on a straight-line basis over the term of the bond.

Appropriation for future conversion projects
The Corporation has established a reserve for future telecommunication conversion projects.

1. FIXED ASSETS

During the year, the Corporation acquired fixed assets totalling $27,660,000 (computer and ancillary equipment - $26,858,000). The Corporation also disposed of fixed assets with a gross book value of $1,868,000 (computer and ancillary equipment - $1,809,000).

2. BORROWING AUTHORITY

Pursuant to Section 8(6) of the System Act, the aggregate amount that may be advanced to, or borrowed by, the Corporation shall not exceed $65,000,000.

3. NOTE PAYABLE, PROVINCE OF BRITISH COLUMBIA

This consists of a short-term note bearing interest at 11.82% and maturing on July 26, 1990 as authorized by Order in Council No. 787.

4. LONG-TERM DEBT

(a) Bonds and debentures

	Interest rate	Maturity date	Amount
Canada Pension Plan debentures			
Series 1	15.69%	June 2001	$14,007,000
Series 2	16.10%	March 2002	12,500,000
Province of British Columbia bond			
Series BCSC-M	9.00%	August 1991	16,000,000
			42,507,000
Less sinking funds on deposit with the Minister of Finance for the Province of British Columbia (1988/89 – $6,466,000)			8,244,000
			34,263,000
Less current portion			929,000
Long-term portion			$33,334,000

Mandatory sinking fund requirements in respect of the above debt for each of the next five years and thereafter are as follows:

	CPP S-1 & 2	Bond BCSC-M	Total
1990/91	$579,000	$350,000	$929,000
1991/92	579,000	14,403,000	14,982,000
1992/93	579,000	—	579,000
1993/94	579,000	—	579,000
1994/95	579,000	—	579,000
Thereafter	$16,615,000	—	$16,615,000
	$19,510,000	$14,753,000	$34,263,000

The Province of British Columbia has guaranteed the payment of principal and interest on all long-term debt issued by the Corporation.

(b) Interest expense

In 1989/90 the Corporation incurred interest expense of $5,713,000 (1988/89 - $5,759,000) on long-term debt and $516,000 (1988/89 - $491,000) on short-term debt. Of these amounts, $5,281,000 (1988/89 - $5,281,000) was allocated to building costs and $948,000 (1988/89 - $969,000) to the financing of the current operations.

5. CHANGE IN ACCOUNTING ESTIMATE

On April 1, 1989, the Corporation revised the estimated useful life of its building from 40 to 30 years. The change has been applied prospectively and has resulted in a $212,000 increase in annual depreciation.

6. APPROPRIATION FOR FUTURE CONVERSION PROJECTS

A reserve of $2,210,000 was appropriated from retained earnings at March 31, 1990. A total of $1,700,000 of this reserve is for the onetime upgrade to the existing network modems, taking advantage of improved transmission and circuit design technologies. A further $510,000 was provided to upgrade the network cabling infrastructure located at 4000 Seymour Place. Both of the conversion projects are to be completed in 1990/1991.

7. COMMITMENTS

(a) Facilities Management Contract

On October 1, 1989, the Corporation entered into a three-year contract with a private company to provide services related to its central computer operations totalling $11.2 million. The contract provides for a one-year renewal option, exercisable by the Corporation.

(b) Disaster Recovery Services Contract

On March 21, 1990, the Corporation entered into a disaster recovery services contract with a private company for five years. Under the terms of the contract, the company provides the Corporation with recovery services for all shared mainframes and data communications, in the event of a disaster at 4000 Seymour Place, for a subscription fee totalling $2.8 million over the five-year period. The contract shall automatically renew for successive twelve-month periods at the expiration of the initial term.

8. NET INCOME

Pursuant to Section 8(5) of the System Act, the Lieutenant-Governor in Council may, each fiscal year, on the recommendation of the Minister of Finance, direct the transfer to the Government of all or part of the net income for the current year or for previous years to the extent not previously so transferred.

9. PENSION AND SUPERANNUATION PLANS

Until the Corporation establishes a pension or superannuation plan, the Public Service Superannuation Act applies to the Corporation and its officers and employees. The Corporation is obliged to contribute to the Public Service Superannuation Fund.

10. CONTINGENCY

The Corporation is obligated under the Facilities Management Contract (note 7) to cover certain employee termination costs should the contract not be renewed. The Corporation is unable to determine the extent of the liability, if any, which may result from this obligation. Should a liability arise in the future, the expense will be charged to income in the period in which the settlement occurs.

S T A T I S T I C A L S U M M A R Y

BRITISH COLUMBIA SYSTEMS CORPORATION
FIVE YEAR STATISTICAL SUMMARY

	1990	1989	1988	1987	1986
			(at March 31)		
FINANCIAL PERFORMANCE					
(in $ million)					
Total Revenue (1)	125.5	104.2	54.9	46.1	45.4
Net Income Before Extraordinary Items	8.4	7.2	3.8	2.7	2.7
Net Income Margin (1)	7%	7%	7%	6%	6%
Total Long-Term Debt	34.3	36.3	38.2	40.7	56.1
Total Short and Long-Term Debt	36.3	40.3	47.2	45.1	58.1
Retained Earnings	15.4	7.0	6.2	2.6	0
OPERATIONS					
Number of Network Devices	21,173	15,299	8,018	5,665	n/a
Number of BC OnLine Users	5,462	—	—	—	—
Number of Data Processing Users	32,000	23,900	16,900	14,000	n/a
Number of Electronic Mail Users	14,009	n/a	n/a	n/a	418
Relative Mainframe Pricing (no adjustment for inflation)	42%	49%	49%	70%	100%

(1) In 1989, the Corporation changed the presentation of its Financial Statements to include total revenue for services purchased on behalf of its clients rather than service revenue net of expenses as shown in fiscal 1986 and 1987. Revenues for fiscal 1988 as shown were restated to conform with the new format.